

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE ADJUSTMENT OF RATES OF THE)
SANDY VALLEY WATER DISTRICT) CASE NO. 9026

O R D E R

IT IS ORDERED that Sandy Valley Water District ("Sandy Valley") shall file an original and 10 copies of the following information with the Commission by July 20, 1984. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. According to Sandy Valley's annual reports for the years ended December 31, 1982, and December 31, 1983, the number of residential customers increased from 1,205 at December 31, 1982, to 1,261 at December 31, 1983. In addition, the number of gallons of water sold to these customers increased from 95,551,000 in 1982 to 96,388,000 in 1983. However, as reflected per the respective statements of income, the revenues from residential water sales decreased by an amount of \$6,633, from \$165,849 during 1982 to \$159,216 during 1983. In consideration of the increase in the number of residential customers, as well as the increase in the number of gallons of water sold to these customers, provide an explanation of the reason(s) for the decrease in revenues from residential sales.

2. In determining the revenue requirements of utilities within its jurisdiction, the Commission has primarily utilized four methods to derive a utility's allowed earnings. These methods are: rate of return on net investment or capital, debt-service coverage, times interest earned ratio, and operating ratio. The method most frequently used in determining the revenue requirements of water utilities has been the debt-service coverage method.

Provide complete details regarding the method(s) by which Sandy Valley calculated its test-period revenue requirements in determining the proposed rates. In addition, provide any comments that Sandy Valley may wish to extend with regard to the Commission's use of debt-service coverage in the determination of revenue requirements.

3. In response to Item No. 6 of the Commission's Order dated May 22, 1984, Sandy Valley submitted a detailed general ledger reflecting the journal entries made during the year, as well as the adjusting journal entries made at the end of the year. Provide a brief description detailing the nature of each of the following adjusting journal entries:

<u>Reference</u>	<u>Account No.</u>	<u>Account Title</u>	<u>Adjusting Entry</u>
1 AJE	505	Trans. & Dist. Expense	\$ <13,431.21>
8 AJE	505	Trans. & Dist. Expense	\$ <1,232.23>
9 AJE	506	Adm. & Gen. Salaries	\$ <3,162.63>
12 AJE	506	Adm. & Gen. Salaries	\$ 6,254.00
16 AJE	506	Adm. & Gen. Salaries	\$ 250.00
2 AJE	508	Office Supplies & Postage	\$ 503.58

In addition, provide a breakdown which reflects the individual general ledger amounts which comprise each adjusting journal entry amount. The individual amounts should be referenced by the transaction date, check or invoice number, and vendor's name as listed per the detailed general ledger.

4. Provide a copy of the invoice associated with each of the following journal entry amounts included in Transmission and Distribution Expense per the general ledger:

<u>Date</u>	<u>Reference Number</u>	<u>Description</u>	<u>Amount</u>
02-01-83	8033	Mid States Meter	\$1,232.23
03-07-83	8085	Consolidated Pipe & Supply	\$ 418.93
04-01-83	8130	Consolidated Pipe & Supply	\$ 647.19
05-02-83	8169	Water Works Supply	\$1,019.63
05-02-83	8170	Mid States Meter	\$1,582.38
06-07-83	8217	P & H Hardware	\$ 524.36
06-07-83	8218	Consolidated Pipe & Supply	\$ 192.40
06-07-83	8221	Water Works Supply	\$8,178.10
06-07-83	8224	Mid States Meter	\$2,878.35
08-11-83	8302	Mid States Meter	\$ 525.30
08-11-83	8307	P & H Hardware	\$ 232.92
08-11-83	8308	Consolidated Pipe & Supply	\$ 173.30
08-11-83	8315	Hayes, Inc.	\$5,225.00
08-11-83	8316	Water Works Supply	\$1,172.79
09-12-83	8350	Water Works Supply	\$2,175.05
09-12-83	8351	Mid States Meter	\$ 777.48
09-12-83	8358	P & H Hardware	\$ 170.66
10-05-83	8390	Water Works Supply	\$ 174.56
10-05-83	8393	P & H Hardware	\$ 183.79
10-05-83	8395	Mid States Meter	\$1,637.34
10-05-83	8403	E & B Construction	\$ 280.00
11-03-83	8440	P & H Hardware	\$ 314.46
11-04-83	8442	Water Works Supply	\$1,587.28
11-04-83	8444	Mid States Meter	\$ 296.12
12-01-83	8493	Water Works Supply	\$ 525.36
12-01-83	8496	Mid States Meter	\$ 889.72
12-01-83	8497	Water Works Supply	\$ 400.54

Upon review of these invoices, if it is determined that any of the items contained therein are components of construction of new plant or major improvements to existing facilities which

require capitalization in accordance with the Uniform System of Accounts for Class C and D Water Utilities, provide a complete narrative explanation regarding the reason(s) these items have not been or should not be capitalized.

5. In Item No. 3 of the Commission's Order dated May 22, 1983, the Commission requested a copy of the utility bill for each month of the test period. In its response, Sandy Valley did not provide the complete information as requested. Therefore, for each of the following months provide a copy of the electric bills from Kentucky Power Company:

<u>Account Number</u>	<u>Months</u>
3 411 01 45048 0 3	March, May, June and July
3 411 03 17648 0 2	January, February, March, April, May, June and August

6. In its response to Item No. 4 of the Commission's Order dated May 22, 1984, Sandy Valley indicated that its employees consisted of a maintenance person and a secretary. According to the detailed general ledger, Sandy Valley incurred Transmission and Distribution Expenses in the total amount of \$8,384 in association with payments to the following persons:

E. Parsons	\$1,260
B. Akers	3,610
P. Layne	1,912
G. Akers	<u>1,601</u>
Total	<u>\$8,384</u>

Are these persons employees of Sandy Valley?

With regard to the respective payments, provide complete details regarding the nature of the services performed. In addition, if these persons were paid on an hourly basis, provide the number of hours worked, as well as the hourly fee or wage.

7. Did Sandy Valley receive other insurance premium quotations with regard to its test-period insurance coverage? If additional bids were received, for each quotation provide the information requested per Item No. 5 of the Commission's Order dated May 22, 1984.

8. Provide a schedule of depreciation as of December 31, 1983, reflecting the amount of annual and accumulated depreciation associated with Sandy Valley's water utility plant in service. Each component of utility plant included in this schedule should be classified in accordance with the Uniform System of Accounts for Class C and D Water Utilities.

9. In response to the Commission's Order dated May 22, 1984, Item No. 12 sets out a credit of \$6,764.10 for the test year per the accounts receivable ledger for the test year. Provide a breakdown of the credit for which the net book adjustments were made.

Done at Frankfort, Kentucky, this 9th day of July, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
For the Commission

ATTEST:

Secretary